

From: Wayne Hedberg  
To: Mnrls, MWright  
Date: 2/26/98 5:29pm  
Subject: Results of USMX of Utah, DOGM and DWQ Meeting - Goldstrike Mine (M/053/005)

On February 19, 1998, I met with representatives of DWQ (Dennis Frederick, Larry Mize & Lyle Stott), USMX of Utah, Inc. (Doug Jensen), and Dakota Mining Corporation (Joe G. Kircher) at the Cannon Health Building in Salt Lake City. The meeting had been requested by Mr. Kircher for the purpose of discussing their plans for final closure and reclamation of the Goldstrike Mine site.

This is a large mining open pit gold heap leaching operation located in Washington County, Utah. Mining activities ceased approximately 1 1/2 years ago and roughly 2/3rds of the mine site has been reclaimed and portions of the site have been released and the reclamation surety reduced to @\$929,000. The mill complex buildings, the attendant processing facilities, and 1 1/2 heaps are the principal areas which remain to be closed and reclaimed. Effluent coming from the rinsed heaps does not meet DWQ's closure requires for certain parameters to date. Roughly \$300,000 of the remaining reclamation bond is being held for heap decommissioning, neutralization and monitoring.

Dakota Mining Corporation (DAKOTA) purchased all of USMX's assests a couple of years ago which included a new gold mining venture in Alaska which has only recently been put into production (albeit at a loss). They have been forced to recently close another mining venture in South Dakota due to the drop in gold prices.

Mr. Kircher explained that Dakota is presently in a very precarious financial position which will not enable them to complete the remaining reclamation of the Goldstrike Mine. They believe they have enough money available to pay JBR consultants to complete an attenuation study report which they hope to use as a means of heap effluent treatment allowing final closure and reclamation of the heaps (with DWQ's and DOGM approvals).

If DWQ and DOGM give the green light on this treatment method, Dakota is asking that we approve release of the \$300,000 (or a portion thereof) decommissioning bond to act as "seed money" to bring a contractor on site to complete the remaining reclamation of the site. Dakota proposed that as the reclamation work is completed by their contractor we could then release (perhaps on an accelerated schedule) additional funds to the operator to pay the contractor for completed work. Mr. Kircher suggested that the state maintain control of all remaining reclamation funds, perhaps even placing them in a escrow account if that made it easier to manage and release same directly to the contractor.

Mr. Kircher expressed Dakota's desire to work with the state and BLM to work out some form of agreement to complete the required reclamation, without resorting to the less preferred alternative of forfeiting the existing surety.

I told Mr. Kircher that I would broker this scenario with Division



management. Dakota will proceed to have the native soils attenuation report completed by JBR and put together a closure plan for DWQ and DOGM (and BLM) consideration. Mr. Kircher did indicate he had spoken with Mr. Larry Gore of the BLM about this issue as well. He said Mr. Gore expressed a interest and willingness to working out some form of agreement along these lines.

I believe we may need to request a formal proposal from Dakota which outlines their ideas for reaching a workable solution to this situation. I did not ask for a written request from Mr. Kircher during the meeting. It may be a good idea to sit down at some point in the near term to discuss our options and any other possible solutions to this problem.

A COPY OF THIS MEMO WILL BE COPIED TO THE MINE FILE -  
M/053/005

CC: LBraxton, DMoquin